

Accepted Manuscript

The (dis)advantages of clearinghouses before the Fed

Matthew Jaremski

PII: S0304-405X(18)30002-3
DOI: [10.1016/j.jfineco.2018.01.002](https://doi.org/10.1016/j.jfineco.2018.01.002)
Reference: FINEC 2846

To appear in: *Journal of Financial Economics*

Received date: 19 December 2015
Revised date: 23 January 2017
Accepted date: 25 January 2017

Please cite this article as: Matthew Jaremski , The (dis)advantages of clearinghouses before the Fed, *Journal of Financial Economics* (2018), doi: [10.1016/j.jfineco.2018.01.002](https://doi.org/10.1016/j.jfineco.2018.01.002)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



The (dis)advantages of clearinghouses before the Fed¹Matthew Jaremski^{a,b}

a. Colgate University, Dept. of Economics, 13 Oak Drive, Hamilton, NY 13346, USA.

b. National Bureau of Economic Research, 1050 Massachusetts Ave., Cambridge, MA 02138, USA.

ABSTRACT:

Operating in individual cities, US clearinghouses were the closest thing to a central bank before 1914, but they only assisted banks that chose to join the association. Using an annual bank-level database for seven states between 1880 and 1910, this paper shows that after the entry of a clearinghouse member banks were less likely and nonmember banks in the same city were more likely to close. The results are driven by the fact that the presence of clearinghouses led all banks to become more exposed to systemic liquidity risk, yet provided liquidity only to member banks during panics.

JEL Classification: G21, G32, N21

Keywords: Bank regulation, Financial panics, Regulatory arbitrage, Clearinghouses, Interbank networks, Bank failure, National Banking Era

*Corresponding author. Tel.: 214-284-9558; Fax: 315-228-7533. Email:

mjaremski@colgate.edu.

¹ I would like to thank the editor, referee, Charles Calomiris, Mark Carlson, Eric Hilt, Ellis Tallman, David Weiman, and David Wheelock as well as seminar participants at Barnard College, Vanderbilt University, University of Delaware, the Federal Reserve Board, and the Federal Reserve Bank of Atlanta for their valuable comments and suggestions.

Download English Version:

<https://daneshyari.com/en/article/7361922>

Download Persian Version:

<https://daneshyari.com/article/7361922>

[Daneshyari.com](https://daneshyari.com)